

# Ten Top Tips For Investors Coming to Kosovo

Ten Top Tips is an Investors Guide created by the Public Relations Unit of the Kosovo Trust Agency. Information contained in this Guide is presumed to be correct as of the date of publishing, July 2002. Kosovo is going through rapid change so the data and information in this Guide is also subject to change.

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[www.euinkosovo.org](http://www.euinkosovo.org)

**KOSOVO TRUST AGENCY**  
Agjencia Kosovare e Mirëbesimit ♦ Kosovska Agencija Poverenja

The information for this guide was provided by the Kosovo Trust Agency (KTA), The Ministry of Trade and Industry (MTI) Central Fiscal Authority (CFA) and Ministry of Finance and Economy (MFE), UNMIK Customs Service, EU Pillar, United Nations, K-FOR and other non-governmental organisations answering to our requests for information.

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A Publication by the Kosovo Trust Agency

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## Table of Contents

<a href="#">Question 1</a>	<b>Where is Kosovo?</b>	Page 1
<a href="#">Question 2</a>	<b>How do I get there and operate?</b>	Page 2
<a href="#">Question 3</a>	<b>Why do business in Kosovo?</b>	Page 3
<a href="#">Question 4</a>	<b>Where are the business opportunities?</b>	Page 4
<a href="#">Question 5</a>	<b>What is the legal framework?</b>	Page 6
<a href="#">Question 6</a>	<b>How do I look after my money and do I have to pay tax?</b>	Page 7
<a href="#">Question 7</a>	<b>What do I need to know about importing and exporting?</b>	Page 8
<a href="#">Question 8</a>	<b>Who makes decisions and enforces the law?</b>	Page 10
<a href="#">Question 9</a>	<b>I'm interested in getting some more information, so what do I do now?</b>	Page 12
<a href="#">Question 10</a>	<b>How does Kosovo shape up statistically?</b>	Page 14

## Where is Kosovo ?

### Regional Profile

Kosovo is situated in the heart of the Balkans surrounded by the neighbouring territories of Serbia, Montenegro, Albania and Macedonia. It covers an area of 10,887 km<sup>2</sup>, and has a population of approximately 1.9 million (according to 1998 estimates), 90% Albanian and 7% Serbian, these are also the two key languages. The capital Prishtina/Pristina (pop. 300,000 before the conflict) is located in a valley between the Goljak and Central Hills. The centre is developing rapidly.

Other major cities in Kosovo include Prizren/Prizren, Peje/Pec, Mitrovice/Kosovska Mitrovica, Gjakove/Djakovica and Gjilan/Gnjilane. The North west region of Kosovo, Peje, hosts the highest mountain in Kosovo, Gjeravica, at 2522 metres. The two main rivers are the Sitnica and Drini i Bardh/Beli Drim. Kosovo has natural resources of lead and zinc, copper, silver, gold and brown coal. The main agricultural products are wheat, corn and grapes.

### A Short History

At the heart of the Balkans, Kosovo was part of the Roman Empire, then Byzantium, and part of the Ottoman Empire in the early 15th Century. Kosovo became part of Serbia before the First World War, and Yugoslavia just after. Under German and Albanian influence during the Second World War, it's place in Yugoslavia was reaffirmed after the conflict.

Kosovo became a province in the Socialist Republic of Yugoslavia (SFRY), and enjoyed a certain degree of autonomy from 1974-90 within SFRY and Serbia. The Yugoslav Republic began to break up during the early 1990's with Slovenia, Croatia and Bosnia breaking away from the state. An upsurge in violence in Kosovo in 1998 drew the attention of the international community, leading to an eleven-week conflict in the spring of 1999.

On 10th June 1999 the region was placed under United Nations administration, with the European Union and Organisation for Security and Cooperation in Europe providing key parts of the interim government. KFOR, the NATO-led peace implementation force, provides security in the Province. Despite occasional outbreaks of violence nearby - around the Presevo valley in Serbia in 2000, and the former Yugoslav Republic of Macedonia in 2001 Kosovo has become increasingly calm and peaceful over the last two-and-a-half years.

The European Union is playing a major role in the reconstruction of Kosovo. It is the largest donor providing assistance to Kosovo and South Eastern Europe. In 1999 the European Commission provided €378 million in emergency humanitarian assistance for the victims of the Kosovo crisis, after the end of the conflict a further €127 million for reconstruction programmes started. In 2000 the EU continued to support Kosovo with funds of up to € 256.5 million, in 2001 € 315.5 million and in 2002 €134.4 million.

Q.1



Kosovo situated in the heart of the Balkans

<b>Area</b>	10.887 km <sup>2</sup>
<b>Population</b>	1.9million
<b>Languages</b>	Albanian, Serbian
<b>Ethnicity</b>	90% Albanian, 7% Serbian, 3%Others
<b>Religions</b>	Islam, Serbian Orthodox, Catholic
<b>Capital</b>	Prishtina/Pristina
<b>Currency</b>	The Euro is the generally accepted Currency.
<b>Enterprise</b>	Approx. 40,000 registered in the Private Sector, Approx. 300-350 Socially Owned Enterprises and 60 Public/Infrastructure Enterprises
<b>Natural Resources</b>	Lead and Zinc, Copper, Silver, Gold, Brown Coal, Bauxite, Lignite, Nickel
<b>Agriculture</b>	Wheat, Corn, Grape

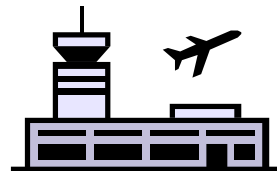
## Questions and Answers: Investing in Kosovo

### Q.2

### How do I get there and operate?

#### Getting to Kosovo

Access to Kosovo is continuing to improve. Pristina airport hosts regular flights connecting Pristina with London, Zurich, Ljubljana, Vienna, Tirana, Istanbul, Copenhagen and other European capitals. Travel companies flying to these locations include British Airways, Albanian Airlines, Adria Airways, Austrian Airlines, Turkish Airlines, Nordic East Airlink and Swiss.



**Pristina hosts an international airport**

#### Local Taxis

Taxis are always available from the airport to the city centre. The charge is normally around 25 Euros. Once in the city, the average taxi fare is around 2.5 Euros, most taxis now work on a meter system.

#### Local Vans

The local mini-buses 3+4 cover most of the city. The cost is 25 euro cents for any number of stops. These are in some places being phased out by a Public Bus Service.

#### Bus Services

The main bus station in Pristina provides services to a large variety of destinations across the province. Local travel agents are able to organise trips to international destinations.



**Local taxi firms operate 24 hours a day on a metered system**

#### Accommodation

In Pristina and throughout the regions of Kosovo, hotel accommodation is improving. New hotels, of reasonable quality are being developed. There are several places to stay in Pristina itself and you should expect to pay around 75 Euros per night.

#### Food

Many restaurants have opened up in the capital serving a wide range of local and international cuisine including traditional Balkan food, Chinese, Italian, Indian and others.

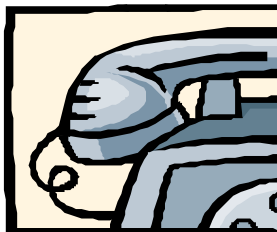
#### Entertainment

There is a cinema which has three showings per night of box office hit films. These are usually shown in their mother tongue with Albanian sub-titling. The city is cultivating other activities such as theatre, ballet and live music, cafes, bars and nightclubs.

#### Telephone

In most major hotels you will find telephones. For international calls dial an outside line (if you need to) then 99 + country code. For calls in Pristina dial 038 + number. Most mobile numbers start with 044. The local network provider has started co-ordinating with the roaming facilities of other international networks so it may be worth checking if your mobile line can work here before you arrive.

**Communication facilities are Available**



#### Internet/Fax/Photocopy

There are many internet cafes along with Fax and photocopy booths.

#### International News

Most hotels are likely to have televisions connected to satellite dishes carrying all major international channels (BBC, CNN, RAI, DW). Most private houses are also connected to satellites. International newspapers can be found in a few places, the most reliable are the news stand in front of the Monaco restaurant by the Sports Centre and at the Dukajini book store on Mother Theresa Street.

## Why do business in Kosovo?

### The Work Force

As an emerging market, Kosovo does hold a number of advantages. Kosovo's greatest asset is probably its enterprising and self-reliant population. Its energy and creativity can be used to build a new and prosperous economy. In terms of human resources, there is a high population of young people relatively well trained in basic skills. There is a workforce that has learnt to survive through extreme difficulties and which is notoriously commercially driven. Although they are not the cheapest in the region, current salary levels are competitive. Kosovo's large diaspora community provide many international connections and has traditionally been a source of remittances that could, if stimulated, turn into a starting point for foreign investment. The International Monetary Fund (IMF) has estimated that 200,000 remitters are sending between 3-6,000 Euro per family every year back to Kosovo.

### Natural Resources

An abundance of natural resources and raw materials should not be overlooked when defining comparative advantage. Although the price of minerals has been falling over time in international markets, it is clear that the extractive sector through a restructuring process, could prove to be a very lucrative business.

### Taxation

The system of taxation in Kosovo is oriented towards simple, efficient forms of taxation that are designed to expand the tax base and achieve balance between personal and corporate tax. The tax burden in Kosovo is very low, with total tax revenue in Kosovo in 2000 standing at 7.1% of GDP and in 2001 only expected to reach 11%. These percentages are much lower than those of nearby countries Albania 19%, Macedonia 39%, Slovak Republic 45%.

### Europeanisation

The economic policy for Kosovo is to move it towards operating under free market principles. In this context the legal framework being devised in a business context is providing the conditions for this whilst at the same time ensuring that new regulations comply to European Union standards. In addition to this the EURO became the official currency used in Kosovo from January 1st 2002.

### Security of Investment

The new Government of Kosovo was sworn in on 4th March 2002 providing Kosovo with a President, Prime Minister and 9 Ministries. This shows that Kosovo is developing along more democratically acceptable lines. In addition, the international composition of the Kosovo administration provides a unique environment of support for entrepreneurs. The contacts and experience from abroad are readily available for the local and international business community through the United Nations Mission and through Non-Governmental Organisations.

**Q.3**

"Our investments in Kosovo are a strategic complement to our investments in Albania."

**Osman Taner Nakiboglu,  
Neam Holding-Culligan,  
Turkey/America**

"Low taxation levels (in fact the lowest in Europe) and the upcoming tax incentives for investment make Kosovo an emerging market and an investment friendly territory with plenty of investment opportunities."

**Kinnevik AbTopanicë,  
Sweden-Kosovo Joint  
Venture**



## Questions and Answers: Investing in Kosovo

### Socially Owned Enterprises

There are around 350 industrial and commercial socially owned enterprises (SOEs) in Kosovo. They are the largest and the most important enterprises functioning in the economy of Kosovo. They currently employ around 30,000 workers with an additional 30,000 on unpaid leave.

Average capacity utilisation is around 30%. Many SOEs do not operate at all.

SOEs operate in a variety of sectors including manufacturing, construction, agro-business and tourism.

### Q.4

### Where are the business Opportunities?

The Kosovo Trust Agency, is currently responsible for the management oversight of socially owned enterprises and public enterprises in the energy, water and waste sectors. UN Security Council Resolution 1244 and implementing UNMIK regulations provide the legal framework for this. Under the KTA Regulation responsibilities have extended to include the airport, railway, public transport and post and telecommunications sectors.

#### Privatisation

The privatisation programme for Kosovo is provided for in the regulation to establish the Kosovo Trust Agency (KTA). The KTA is responsible for executing UNMIK's responsibility to administer all State, Public and Socially Owned property in the territory of Kosovo. The KTA will privatise the assets of socially owned enterprises and manage for the long-term interests of Kosovo, all other assets under its control. The KTA will administer public and socially owned property on UNMIK's behalf (as stated in regulation 1244) and will report to a Board of Directors appointed by the Special Representative of the Secretary General of the United Nations (SRSG).

The KTA is able to preserve or enhance the value, viability, or corporate governance of the socially owned and public enterprises. This means that the KTA is able to: appoint and replace enterprise managers; create supervisory or managing bodies for enterprises; carry through external audits; issue instructions to management; enter into arrangements for management or reorganisation; grant concessions or leases; establish corporate subsidiaries; initiate bankruptcy proceedings.

#### Privatisation: 2 Processes

For socially owned enterprises alone the KTA is able to initiate 'Spin-Offs' and Liquidation.

'Spin-Off' is a two step procedure whereby the assets of the SOE are transferred to a Joint Stock Company initially 100% owned by the SOE. Shares in this new company are then held in trust by the KTA. The KTA is then able to sell shares to private investors. The proceeds from the sales are held in trust by the KTA, without prejudice to ownership or creditor claims against the old enterprise.

Voluntary Liquidations allow an inexpensive exit from the market for those enterprises that clearly have no prospects of survival. Proceedings would be out of court following the procedures outlined in the Business Organisation Regulation. Again, proceeds of liquidations are kept in trust by the KTA.

The priorities for privatisation will be those SOEs with the most attractive assets. The best performing sectors are agroprocessing which includes wineries and food processing entities, the construction materials sector and mining and metal processing.

## Where are the business opportunities? Contd...

Q.4

To promote economic activity inside and outside Kosovo a Private Sector Development (PSD) and Trade and Investment section have been established within the Ministry of Trade and Industry (MTI).

### Private Sector Development Unit

The Development of the Private Sector is the motor for economic success in Kosovo as a creator of employment and an engine for growth. The PSD policy within the MTI is designed to:- create a supportive environment for SME (Small and Medium sized Enterprise) development; create forums to enhance the understanding of the needs of small businesses; provide an SME support structure for Kosovo; and facilitate human resource development in the business sector.

A database on sectors and regional enterprise is being developed in order to provide accurate governmental information on the business sector. A strong dialogue with the business community is already developed and policy advice is generated by the unit through forums such as the Kosovo SME Council. The development of business services is a key factor with the PSD Unit tracking the quality of services provided on the market and also supporting business development needs through the establishment of Regional Enterprise Agencies. Co-ordination of the training of the business community is also being undertaken to ensure that training is targeted to the areas of need and to assure quality services.

### Trade and Investment Unit

Trade and Investment is another section in the MTI designed to support foreign investors in doing business in Kosovo, to support SME's and SOEs in their internationalisation process, to help negotiate trade agreements and to assist in promotional activities. It is a one stop shop for foreign business partners in their dealings with the related administrative departments in Kosovo.

Help is given to Kosovo businesses to re-establish links with trade partners abroad and access foreign markets. Assistance is also given to local businesses to locate sources of funding and Foreign Direct Investment (FDI), acting as a link between offers and demands for partners to create joint ventures and other forms of entrepreneurial cooperation.

Foreign Investors are encouraged to make contact so that accurate information can be passed on concerning the business needs and opportunities.

<b>Total Registered Businesses in Kosovo</b> <b>40,942</b>	
<b>Businesses with 1-4 employees</b> <b>36,754</b>	<b>Businesses with 5 or more employees</b> <b>4,188</b>
<b>Total Number of employees</b> <b>160,987</b>	

### Distribution of Businesses by Sector of Activity

<b>Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles and Personal Household Goods.</b>
<b>51%</b>
<b>Manufacturing</b>
<b>10%</b>
<b>Transport, Storage and Communications</b>
<b>13%</b>
<b>Hotels and Restaurants</b>
<b>8%</b>
<b>Construction</b>
<b>7%</b>
<b>Other Community, Social and Personal Service Activities</b>
<b>4%</b>
<b>Real Estate, Renting and Business Activities</b>
<b>2%</b>
<b>Agriculture, Hunting and Forestry</b>
<b>1%</b>

Source: Statistical Office of Kosovo/IOM Business Directory, September 2001

## Questions and Answers: Investing in Kosovo

### The Regulations

**Regulation No.68 on  
Contracts for the Sale  
of Goods  
Adopted 29/12/2000**

**Regulation No.3 on  
Foreign  
Investment  
Adopted 12/1/2001**

**Regulation No.5 on  
Pledges  
Adopted 7/2/2001**

**Regulation No.6 on  
Business  
Organisations  
Adopted 8/2/2001**

**Regulation No. 25 on  
Insurance Regulation  
and Supervision  
Adopted 5/10/2001**

**Regulation No. 26 on  
Payment Transactions  
Adopted 8/10/2001**

**Regulation No. 27 on  
Essential Labour Law  
Adopted 8/10/2001**

**Regulation No. 30 on  
Standards for  
Financial Reporting  
Adopted 29/10/2001**

**For a full copy of the  
regulations go to  
[www.unmikonline.org](http://www.unmikonline.org)  
and click on UNMIK  
Regulations.**

**Legal Institutes  
Operating in Kosovo**

**Central and Eastern  
European Law Initiative  
(CEELI)  
Ismail Qemali Street, 47  
Dragodan  
Pristina/Kosovo  
Tel: ++ 381 38 518 703**

### Q.5 What is the legal Framework?

#### Regulations

The Commercial Law Development Group within the MTI and KTA are responsible for the preparation of Regulations and Administrative Orders to provide Kosovo with a workable body of law to enable its economy to function according to Western, free market principles.

So far nine Regulations have been adopted in the Commercial sphere, these are the regulations on Foreign Investment, Business Organisations, Contracts for the Sale of Goods , Pledges, Insurance Regulation and Supervision, Payment Transactions, Essential Labour Law, Standards for Financial Reporting and Establishment of a Pledge Filing Office.

#### Foreign Investment

The purpose of this regulation is to put in place certain legal guarantees that are necessary to encourage foreign investment in Kosovo. The most important provisions in the regulation provide that:-

- Foreign investments will be governed by the principle of national treatment, meaning that they will be treated no less favourably than similar domestic enterprises;
- Foreign investments will be protected against unreasonable expropriations;
- Income from foreign investment may be freely transferred abroad and otherwise used in an unrestricted manner;
- Foreign Investments are protected against retroactive application of laws;
- Foreign investors are able to employ foreign nationals.

The Business Organisations Regulation establishes the ways in which businesses can be organised and registered. The Pledge Regulation has been prepared in order to give Kosovo a modern law regulating all forms of secured transactions. Contracts for the Sale of Goods is a regulation that only covers sales law; it does not cover all areas of contract. It is based on the Vienna Sales Convention.

In the coming months it is expected that Regulations on Bankruptcy, Mortgage, Protection of Competition and Intellectual Property will be adopted.

#### Good Corporate Governance

In terms of Good Corporate Governance the Standards for financial reporting Regulation has been instated and is entirely compatible with the internationally accepted accounting and auditing standards issued by the International Accounting Standards Committee (IASC) and the International Auditing Practices Committee (IAPC) of the International Federation of Accountants.



## How do I look after my money and do I have to pay tax?

### Q.6

#### Banking Services

There are now seven banks operating in Kosovo. It should be noted that the use of credit cards in Kosovo is rare. Visitors are advised to bring denominations of the generally accepted currency (the Euro) with them.

The first bank to gain a BPK (Banking and Payments Authority of Kosovo) license was the **Micro-Enterprise Bank (MEB)**. MEB is a joint venture of the European Bank for Reconstruction and Development (EBRD), Commerzbank AG, International Finance Corporation (IFC), Nederlands Financierings-Maatschappij voor Ontwikkelingslanden (FMO), International Micro Investitionien (IMI), and Kreditanstalt für Wiederaufbau (KfW). MEB has 7 branches across Kosovo. As of October 2001, MEB had 175 million Euro in deposits and 8.75 million Euro in loans. The bank also offers the Western Union transfer service and to cash travellers cheques and Eurocheques. Other cheques are taken for collection. The bank has installed a network of ATMs for its customers, this may be expanded to provide internationally services in coming months.

A number of local banks have also opened up with official licences from the BPK. These include the **New Bank of Kosovo**, **Bank for Private Business** and the **Economic Bank**, American Bank of Kosovo, Credit Bank of Pristina and Kasa Bank which all offer similar banking services.

#### Taxation

VAT was introduced in Kosovo in July 1, 2001 replacing the sales tax. It currently only applies to imports and domestic transactions by businesses who have an annual turnover of more than Euro 100,000. The rate of VAT has been established at 15% of the value of goods and services. There is 0% VAT on exports (including on goods going to FRY) and international transport of goods and passengers.

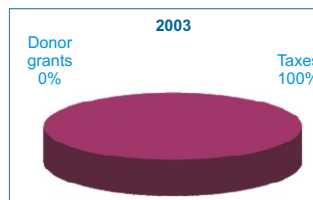
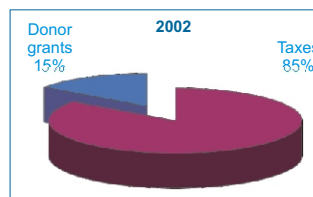
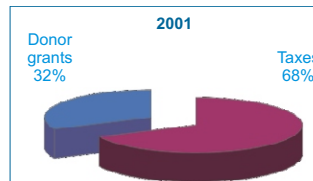
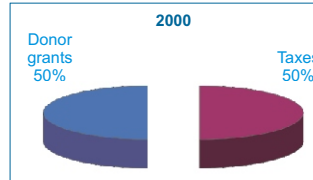
A 20% tax on business profits began in February 2002 for businesses with annual turnover of Euro 100,000 or more. Small businesses may have the option of paying either the profits tax or the presumptive tax of 3% turnover. The profits tax is a tax on bottom line profit rather than turnover. Deductions on profits tax include:- business expenses; indirect taxes paid; depreciation; allowance for new investments; purchase of raw materials, intermediate goods, electricity, office supplies; repair, payment of staff salaries.

A progressive rate wage tax is now in effect. It has a maximum rate of 10% in 2002 and 20% in 2003 onwards. It serves as a framework to collect social security contributions. Internationals working in businesses, local or multinational will pay the wage tax.

A property tax and a pensions contribution regulation have also been introduced.

Profits are freely repatriated.

#### Composition of the Kosovo Consolidated Budget



*To make the economy of Kosovo self sustainable donor grants must be reduced and self taxation introduced.*

## Questions and Answers: Investing in Kosovo

### Q.7

### What do I need to know about importing and Exporting?

#### Customs Clearance



There are three customs stations at international borders.



Over 200 trained local customs officers man the customs + tax collection points across Kosovo.



Currently customs clearance of goods takes place at the international borders with the Former Yugoslav Republic of Macedonia, Albania and at the Administrative Boundary Line with the Federal Republic of Yugoslavia.

The customs stations at the international borders are:-

- Hani I Elezit/Djeneral Jankovic (International border with FYR Macedonia)
- Vermice/Vrbnica (International Border with Albania)
- Pristina/Prishtine International Airport

The first two customs stations are open for clearance of commercial traffic from 8.00am to 8.00pm seven days a week. The airport is open for clearance of all commercial flights. The tax collection offices, where under certain circumstances also customs clearance can be carried out, are the following:-

- The tax collection office upon the approved route from/to Gate 5, located in the municipality of Kamenica;
- The tax collection office upon the approved route from/to Gate 3, located in the municipality of Podujevo;
- The tax collection office at Peje/Pec;
- The tax collection office at Mitrovice/Kosovska Mitrovica;
- The customs house in Pristina/Prishtine;

The tax collection offices are open for clearance of commercial traffic 24 hours a day.

#### Temporary Importation

There are provisions governing the temporary importation customs procedure. In order to obtain authorisation for the temporary import of the required equipment, machines, tools etc, any applicant must submit an application form to:

**Custom House,  
Rruga e Leninit,  
38000 Pristina,  
Kosovo**

## What do I need to know about importing and exporting? Continued...

### Q.7

The application must contain all the necessary information about the goods that are to be imported on a temporary basis e.g. commodity description, serial numbers, customs value etc. This is to facilitate the identification of goods.

In addition to this the applicant should indicate the period of time, expressed in months, for which the authorisation should be granted. A copy of the project contract and copy of the eventual leasing contract should also be attached to the request. Once authorisation has been granted by the main Customs House in Pristina, the following rules apply and the following options are possible:

- A request for temporary importation must be covered by bank guarantee or cash deposit covering 100% of the applicable customs duty. The actual rate of customs duty is 10% with an additional 15% for VAT. This results in a total of 26.5% on the customs value of goods. Of this 26.5% UNMIK Customs Service levies 20% each year and transfers it to the Kosovo Consolidated Budget.
- In cases where a request for temporary importation for a limited period of time (e.g. 4, 6, or 8 months) has been submitted, the 20% will be calculated in proportion to the period, which the goods remain on the territory of Kosovo.
- In the case of permanent importation of the equipment, the full rate of duty, excise taxes and sales tax will apply.

#### Customs Duties and Excise

Customs duties are collected on, or in connection with, the import of goods, which means the goods only become liable to the payment of customs duties when they cross a border or when they arrive after a transit movement to their final place of destination. Customs duties are established in customs tariffs, which take into account the special circumstances of an economy.

Currently, excise taxes are applied in Kosovo for goods such as cigarettes, coffee, alcoholic beverages and petrol products. The rates are either ad valorem rates or specific rates. The rate depends on the nature of the product.

The form for customs declarations is the Single Administrative Document (SAD) as used in the European Union.

At present there are no measures of commercial policy applicable except a surveillance system for the importation of pharmaceutical products. A similar system will be introduced soon for the import of live animals and for the export of scrap metals.

#### Customs Duties from Neighbouring Territories

##### Serbia

Customs 0%

Excise Various

VAT 15%

##### Montenegro

Customs 0%

Excise Various

VAT 15%

##### Albania

Customs 10%

Excise Various

VAT 15%

##### FYROM

Customs 1%

Excise Various

VAT 15%

## Questions and Answers: Investing in Kosovo

### Q.8 Who makes decisions and enforces the law?

#### International Politics

On 10<sup>th</sup> June 1999, the United Nations Security Council authorised the Secretary-General of the UN to establish in Kosovo an interim international civilian administration under which the people of the province could enjoy substantial autonomy. The Council took its action by adopting resolution 1244 after NATO suspended its air operations following the withdrawal of security forces of the Federal Republic of Yugoslavia from Kosovo. To ensure stability in the province a military presence under K-For was introduced. In order to lead the region back into normal civilian life the United Nations Interim Administration Mission in Kosovo (UNMIK) was established.



#### K-FOR

KFOR is a NATO lead multi-national security force, with contributors from 38 nations. The 39,000 troops provide a safe and secure environment to allow UNMIK and the new civil administration to bring stability and prosperity to Kosovo and the wider Balkan area. KFORs support UNMIK-Police and the Kosovo Police Force with the enforcement of law and order and monitor the Kosovo's borders and boundaries to deter smuggling activities. As normality returns to the region KFOR's presence will gradually reduce, but not substantially in the immediate future.



#### UNMIK

UNMIK acts as an interim administration for Kosovo. Working closely with Kosovo's leaders and citizens, the mission performs a whole spectrum of vital administrative functions and services covering such areas as monetary policy, law enforcement and a variety of property issues.

In a first-ever operation of this kind, UNMIK has brought together a number of "pillars" under United Nations leadership. They are currently: Pillar I: Police and Justice (UN); Pillar II: Civil Administration (UN); Pillar III: Democratisation and Institution Building (OSCE); and Pillar IV: Reconstruction and Economic Development (EU). This unique partnership enables the mission to develop Kosovo's democratic institutions and build the foundations for medium-and long-term social and economic reconstruction.

The length of the stay of UNMIK is undetermined and essentially linked to the resolution to be taken on the settlement of the final status of Kosovo. However the numbers of international staff are beginning to decrease leaving local counterparts in their place.

#### Police and Justice Pillar I

Pillar I was created in June 2001 as the Police and Justice arm of the mission. This was done not only to counter organised crime and terrorism but also to contain inter-ethnic violence. UNMIK seeks to establish a safe and secure environment and a reliable system of justice based on the rule of law.

**Who makes decisions and enforces the law?  
Continued...**

Q.8

**UN Pillar II**

The Civil Administration pillar, headed by the United Nations, is responsible for establishing and running a multiethnic governmental infrastructure to carry out civil service functions and public services. Since the Assembly elections and the formation of Kosovo's government, it continues to oversee the nascent civil administration institutions throughout the province, both at the central and local levels.

**OSCE Pillar III**

Under the OSCE, Pillar III assists the people of Kosovo and their leaders to develop democratic institutions and promote the rule of law and human rights. Much of this assistance takes place in the form of capacity-building and technical support. Activities crucial to the pillar's mandate are: training the police and civil and judicial administrators; creating conditions that support freedom of the press and freedom of information; and organising and supervising elections.

**EU Pillar IV**

The fourth pillar, under European Union leadership, is in charge of economic reconstruction, recovery and development. The task involves coordinating reconstruction activities, revitalising economic activity and creating conditions for a modern and open market economy. EU Pillar IV consists of: The Kosovo Trust Agency (see page 4); The Public Utilities Regulatory Commission (PURC) (established to regulate the public utilities); The Central Fiscal Authority including Customs (the CFA manages the reserved parts of the Kosovo Budget, is responsible for taxation (see page 7) and runs the treasury). The European Union Pillar is also providing mentoring support to the government officials working inside the Ministries of Trade and Industry, Finance and Economy and Transport and Infrastructure. The Pillar has recently established a new European Office to help ensure that Kosovo's political and economic institutions develop in line with the requirements of the EU, and that Kosovo enters the European Integration process.

**New Government**

Following elections in November 2001 the new Government of Kosovo held its inaugural session and was sworn in on March 4th 2002. The Government has a President, Prime Minister and 9 Ministries. The Ministries that will most effect the business environment are the Ministry of Trade and Industry (See page 5) which takes full responsibility for activities concerned with Private Sector Development and Trade and Investment. The Ministry of Finance and Economy which co-ordinates development activities and ensures that the annual budget of Kosovo balances, it also carries out a function of economic analysis and research. The SRSG retains powers in areas outside the competency of the Assembly. His reserved powers, amongst others, include fiscal and monetary policy and the oversight of the forthcoming privatisation programme. The International Community still remains present in these structures either in advisory or decision making roles.

## Questions and Answers: Investing in Kosovo

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## Q.9 I'm interested in getting more information so what do I do now?

There are several institutions and organisations who you can call upon to access accurate and useful information about doing business in Kosovo. We have divided them into local business organisations, governmental institutions and donor funded programmes.

### Local Business Organisations

The Kosovo Chamber of Commerce is a well respected organisation operating at central level in Kosovo with sub-branches in each of the regions. Their mission is to represent the business community in Kosovo to the government, to support and protect legal interests and to encourage the development of trade and industry. They offer a variety of services including assistance with international relations, information networks, consultancy, executive services, training as well as establishing relations with international institutions and other Chambers of Commerce in other countries.

Riinvest are an Institute for Development Research. Their main focus is to look at the economy of Kosovo and study economic developments and analyse current policies. They have produced several research reports and organise many economic forums for Kosovo throughout the year.

EXIMKOS Pristina specialises on establishing foreign trade relations for Kosovo based enterprises. The EXIMKOS employees have been vocationally trained to do their job in the field of foreign trade, consulting, proposing engineering solutions, marketing and representing foreign firms.

The Cambridge School provides linguistic consulting and training services to foreign clients as well as hot-desking and short-term office space rental with all communication facilities.

### Government/Institutional Bodies

The Ministry of Trade and Industry is the government department best placed to be able to provide information on Commercial Laws, Trade and Investment and Private Sector Development.

The Kosovo Trust Agency is in charge of the Privatisation programme and is able to advise on investment opportunities in this field.

The Central Fiscal Authority comprises departments acting as a treasury, budget office, tax administration, customs service and other fiscal bodies. This department is best placed to provide information on taxation issues and accounting policy.

The Ministry of Finance and Economy co-ordinates development activities and ensures that the annual budget of Kosovo balances, it also contains an economic analysis and research unit.

## I'm interested in getting more information so what do I do now? Continued...

### Q.9

The Banking and Payments Authority of Kosovo seeks to foster the development of a modern and efficient banking and payments system, as well as to provide financial services to public bodies. Its functions are similar to those of a central bank. Its most significant responsibility is for the licensing of banks and other financial institutions. It also acts as UNMIK's bank, accepting deposits from UNMIK departments and making payments per instructions from the Central Fiscal Authority. BPK was also responsible for managing the introduction of the EURO in January 2002.

A European Office has been set up to ensure that Kosovo's political and economic institutions develop in line with the requirements of the European Union, and that Kosovo enters the integration process. This office consults closely with the Provisional Institutions of Self Government, and works together with the remainder of UNMIK and with the European Commission in monitoring developments and providing guidance and recommendations in line with European Union requirements in a broad range of fields.

#### **Donor Funded Programmes**

The European Agency for Reconstruction is supporting a Private Sector Development Programme to establish Regional Enterprise Agencies. These agencies will operate in each of the five regions of Kosovo and provide business advice, information and training to local businesses. They will also provide a quality service to improve business management and skills, assist in the growth of business in the region and to improve business plans and projects. They will be useful points of contact to help in the assessment of the business climate in the regions.

The Euro Info Correspondence Centre (EICC), belongs to a network of around 300 Euro Info Centres established by the European Commission. The objective is to provide the business community, legislators, students and the general public with user-friendly, high quality information on the European Community, in order to foster business cooperation and trade. A key objective of the EICC is to facilitate business cooperation between Kosovo and European SME's.

Kosovo Business Support (KBS) is a USAID funded programme aiming to support the revitalisation of business through a business services programme providing direct assistance and training to SME's as well as broader umbrella activities to provide general support for the Kosovo SME sector. KBS will eventually provide these services on a consultancy basis.

#### **Other Sources of Information**

The EU Pillar website can be found at [www.euinkosovo.org](http://www.euinkosovo.org)

The UNMIK site is at [www.unmikonline.org](http://www.unmikonline.org)

The K-FOR website is at [www.kforonline.com](http://www.kforonline.com)

The OSCE website is at [www.osce.org/kosovo/](http://www.osce.org/kosovo/)

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## Questions and Answers: Investing in Kosovo

Q.10

## How does Kosovo shape up statistically?

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The following facts and figures illustrate the economic make-up of Kosovo in terms of macroeconomic data and budgetary expenditure. The sources are officially recognised institutions operating in Kosovo.

Kosovo Production and Income Estimates in 2001	Investment and Consumption
<ul style="list-style-type: none"> <li>• Gross Domestic Product 1.7 Billion Euro</li> <li>• Gross National Product 3.2 Billion Euro</li> <li>• Per Capita GDP 945.5 Euro</li> <li>• Per Capita GNP 1273.7 Euro</li> </ul> <p>NB: Remittances stand at around €256-512 per month perhaps from around 200,000 remitters - more analysis needs to be carried out to obtain a precise figure.</p> <p><b>Source: CFA Macroeconomics Unit</b></p>	<ul style="list-style-type: none"> <li>• Kosovo's Population 1.9 million<sup>1</sup></li> <li>• Investment 1.17 Billion Euro</li> <li>• Export 193.2667 Million Euro</li> <li>• Import - 1653.57 Million Euro</li> <li>• Annual Inflation Rate ~10%</li> <li>• Consumer Price Index in Jan 2002 102.40</li> </ul> <p><sup>1</sup> Kosovo's population estimates range from 1.9 to 2.3 million for 2000. The last two population census conducted in 1981 and 1991 estimated Kosovo population at 1.6 and 1.9 million respectively, but the 1991 census probably undercounted Albanians.</p>

Kosovo banks had 485 million Euro in deposits as of the end of November 2001

According to the Micro Enterprise Bank (the oldest bank in Kosovo) only 2 out of 1,400 loans have defaulted



## How does Kosovo shape up statistically? Contd...

### Q.10

## The Kosovo Budget

2002 Kosovo Budget	2002 Kosovo Budget
Revenue Highlights: <ul style="list-style-type: none"><li>Revenues to finance general government spending is 93% local sources 7% donor financing compared to 50/50 for 2000.</li><li>Most of tax revenues (34%) are from VAT and Excise Sales, Profit Tax and Income Tax</li></ul>	Expenditure Highlights: <ul style="list-style-type: none"><li>The Kosovo General Budget totals €374.1 million - a 30% increase on 2001</li><li>51% of the budget goes to the Provisional Institutions for Self Government, 29% for retained powers and 21% for Municipalities - meaning that 72% of the budget is under the authority of elected/appointed local and central government representatives</li></ul>
Source: New Kosovo Government 2002 Budget	Source: New Kosovo Government 2002 Budget

Kosovo General Budget and Public Investment Programme: 2002 (In million Euro)	Kosovo Public Investment Programme: 2000-2001																																	
<table><tr><td>General Public Services</td><td>KGB 38.7</td><td>PIP 28.3</td></tr><tr><td>Civil Emergency Service</td><td>KGB 12.9</td><td>PIP 13.8</td></tr><tr><td>Public Order and Safety</td><td>KGB 28.0</td><td>PIP 12.2</td></tr><tr><td>Economic Affairs</td><td>KGB 47.3</td><td>PIP 282.6</td></tr><tr><td>Environmental Protection</td><td>KGB .2</td><td>PIP .6</td></tr><tr><td>Housing and Community</td><td>KGB 6.9</td><td>PIP 129.6</td></tr><tr><td>Health</td><td>KGB 47.0</td><td>PIP 26.7</td></tr><tr><td>Recreation and Culture</td><td>KGB 3.4</td><td>PIP 2.9</td></tr><tr><td>Education</td><td>KGB 60.3</td><td>PIP 18.2</td></tr><tr><td>Social Protection</td><td>KGB 43.5</td><td>PIP 2.6</td></tr><tr><td><b>TOTAL</b></td><td><b>805.7</b></td><td></td></tr></table>	General Public Services	KGB 38.7	PIP 28.3	Civil Emergency Service	KGB 12.9	PIP 13.8	Public Order and Safety	KGB 28.0	PIP 12.2	Economic Affairs	KGB 47.3	PIP 282.6	Environmental Protection	KGB .2	PIP .6	Housing and Community	KGB 6.9	PIP 129.6	Health	KGB 47.0	PIP 26.7	Recreation and Culture	KGB 3.4	PIP 2.9	Education	KGB 60.3	PIP 18.2	Social Protection	KGB 43.5	PIP 2.6	<b>TOTAL</b>	<b>805.7</b>		<p>Public Investment Programme Highlights</p> <ul style="list-style-type: none"><li>Over 50% of the budget reflects the four largest spending areas - Labour + Social Welfare - €66.6 million ; Education - €39 million; Law + Order €57.3 million; Health € 39 million.</li></ul> <p>Source: New Kosovo Government 2002 Budget</p> <p>For further information the New Kosovo Government 2002 Budget is available at <a href="http://www.unmikonline.org">www.unmikonline.org</a></p>
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Source: New Kosovo Government Budget 2002
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